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Iranian Officials May Have Gotten Kickbacks On U.S. Arms Sales Via Inflated-Price Scheme

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WASHINGTON—Some of the missing millions generated by the Iran arms sales may have disappeared into the pockets of Iranian officials, investigators now suspect.

Independent counsel Lawrence Walsh is pursuing evidence indicating that senior Iranian officials agreed to pay inflated prices for U.S.-made weapons in return for substantial kickbacks, according to law-enforcement officials.

Investigators for Mr. Walsh believe that a kickback scheme was an integral part of the secret arms transactions since the sales began in the summer of 1985, and that it continued into 1986, according to these officials. They said Mr. Walsh has obtained information suggesting that, in the early stages of the arms deals, Israeli intermediaries were to kick back money to senior Iranian officials.

Mr. Walsh declined to comment on the disclosure. Officials said, however, that Mr. Walsh and his team of attorneys and Federal Bureau of Investigation agents are delving into whether the powerful speaker of Iran's parliament, Hashemi Rafsanjani, or members of his family received any money.

Furthermore, they said, the investigators want to determine whether any American officials knew of, or condoned, secret payments to Mr. Rafsanjani or other officials in violation of U.S. anti-bribery or fraud laws.

Question of Financial Benefits

The investigation also covers whether Americans benefited financially from the administration's secret arms sales to Iran or from its efforts to aid the U.S.-backed Nicaraguan Contra rebels, officials said. But no evidence has yet emerged, either from the independent counsel or in the report released last week by the presidentially appointed Tower Commission, pointing to kickbacks received by citizens.

The evidence of kickbacks to Iranians opens a whole new chapter in the still-unfolding scandal, and could be a key to the persistent mystery of what happened to the many millions of dollars that Iran funneled through various intermediaries and bank accounts to pay for weapons it bought from the U.S. and Israel.

Both the Tower Commission and the Senate Intelligence Committee said they were unable to account for much of the funds, which the Tower report indicated may have totaled as much as $87 million. Some of the money apparently was earmarked by White House aides for the Contras, but they have denied receiving it.

Indications that Mr. Rafsanjani may have profited from the U.S. arms deals first emerged several weeks ago in an Arabic newspaper, Ad Dastour, which is published in London. Ali Nourizadeh, an exiled Iranian journalist and an editor of the publication, reported that $6 million from the arms sales was deposited in a bank account in Geneva controlled by Mr. Rafsanjani's son, Saed.

In addition, the San Francisco Examiner reported yesterday that the Tower Commission suspected that large payoffs were made to Iranians. The newspaper quoted former Secretary of State Edmund Muskie, a commission member, saying that an arms-industry source had told the commission of the kickbacks, but that the panel never found any proof.

It has been traditional in Iran for the purchaser to pocket a commission of about 5% on arms sales and other transactions, and businessmen still trading in Iran say the custom hasn't died with the Islamic revolution.

William Quandt, a Mideast expert at Washington's Brookings Institution, said the disclosures that Mr. Rafsanjani or other top Iranian officials may have received kickbacks on secret arms sales probably won't endanger them politically. "As long as they were milking the Israelis and the Americans and they could claim they put the money to a good cause like the war with Iraq, I think they could get away with it," said Mr. Quandt.

Role of Ghorbanifar

Earlier this week, The Wall Street Journal reported that criminal investigators want to determine whether Manucher Ghorbanifar, who acted as a conduit for Iranian funds used to purchase $46.7 million in U.S. arms, made kickbacks to Iranian officials or siphoned off profits for himself or associates. His attorney, Stuart Pierson, said, "When the time is appropriate, we will respond to that assertion as well as others."

The Tower Commission disclosed that Mr. Ghorbanifar received an additional $40 million from Iran, and investigators suspect that sum went to arms purchases as well. But the report said the commission wasn't able to determine how that money was used.

According to a draft report prepared for the Senate Intelligence Committee last year, investigators suspected that Mr. Ghorbanifar may have received $1 million for "overhead" charges related to two weapons deliveries in February 1986.

The Tower report suggested that Central Intelligence Agency and National Security Council aides questioned the trustworthiness of Mr. Ghorbanifar. For instance, the report includes a December 1985 computer message from NSC aide Lt. Col. Oliver North to his boss, Adm. John Poindexter, in which the colonel complained that "our greatest liability throughout has been lack of operational control over transactions with Ghorbanifar."

Col. North was fired and Adm. Poindexter resigned following disclosures that profits from the Iranian arms sales were diverted to the Contras.

Activities of Hakim

The Intelligence Committee's final report also raised questions about the activities of Albert Hakim, an Iranian-born Jew and naturalized U.S. citizen who was a central character in both the Iranian arms shipments and the resupply operation to help the Contras.

The report said that the Central Intelligence Agency in early 1986 "was concerned over Hakim's possible private interests in arms deals with Iran." During the shah's regime, Mr. Hakim arranged to funnel millions of dollars in payoffs to Iranian military officials, according to his own sworn testimony in a Connecticut civil case and Justice Department records.

Mr. Hakim, who has declined to comment on his involvement in the Iran-Contra affair, couldn't be reached.

CIA Memo

Criminal investigators also are following up on a CIA memo, cited in the Tower Commission's report, which said Mr. Ghorbanifar "used around $200,000 . . . to support (his) political contacts inside Iran." The CIA attributed that information to Michael Ledeen, a former NSC consultant and friend of Mr. Ghorbanifar, who encouraged the U.S. to use the Iranian as an intermediary to Tehran. Mr. Ledeen said in an interview that he didn't recall giving such information to the CIA.

The commission's report also referred to a note written by Col. North indicating that Mr. Ledeen was to receive $50 per missile delivered to the Iranians in February 1986. Mr. Ledeen denied in the interview that he ever received any of the proceeds from the shipments, and asserted that, from "the earliest conversations I had with the Israelis," it was decided that "no commissions were to be paid to anybody."

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Mr. Ghorbanifar hasn't been interviewed by criminal investigators, but a person familiar with his meeting with the Tower Commission last January said he made some general comments that could be taken to suggest that payoffs were made.

Israeli government officials and arms dealers have maintained that the controversial arms sales, which began with U.S. approval of an Israeli shipment of TOW anti-tank missiles in August 1985, weren't designed to bring profits to Israelis. At least two Israeli arms dealers, Yaacov Nimrodi and Adolph Schwimmer, were involved in the initial shipments. U.S. criminal investigators want to determine to whether Messrs. Nimrodi and Schwimmer profited from their participation in the sales.

The Tower Commission report includes a memo written by Col. North to one of his superiors recounting a conversation in which Mr. Ghorbanifar "told me that he had paid $10,000 apiece" for some TOWs, "and pocketed $500 for each one delivered"—or 5% of the total price. In the memo, Col. North also expressed suspicions that either "Schwimmer pocketed" some monies on the same transaction, or "there was a kickback" to Iranian officials.

Meanwhile, attorneys familiar with the Iran-Contra criminal investigation said that the independent counsel's office has asked for tax returns of Col. North and a close associate, Richard Secord, a retired Air Force major general who served as Col. North's right-hand man in both the Iran and Contra operations.

Messrs. North and Secord, invoking their Fifth Amendment right against self-incrimination, declined to testify when they were summoned to appear before congressional committees.

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